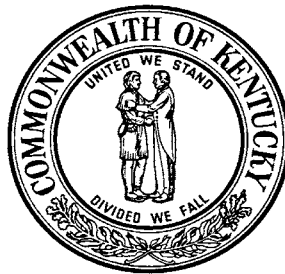


**REPORT OF THE AUDIT OF THE  
MARION COUNTY  
SHERIFF'S SETTLEMENT - 2001 TAXES**

**June 6, 2002**



**EDWARD B. HATCHETT, JR.**  
**AUDITOR OF PUBLIC ACCOUNTS**  
**[www.kyauditor.net](http://www.kyauditor.net)**

**144 CAPITOL ANNEX  
FRANKFORT, KY 40601  
TELEPHONE (502) 564-5841  
FACSIMILE (502) 564-2912**





EDWARD B. HATCHETT, JR.  
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky  
Honorable Paul E. Patton, Governor  
Gordon C. Duke, Secretary  
Finance and Administration Cabinet  
Dana Mayton, Secretary, Revenue Cabinet  
Honorable David R. Hourigan, Marion County Judge/Executive  
Honorable Carroll Kirkland, County Sheriff  
Members of the Marion County Fiscal Court

The enclosed report prepared by Potter & Company, LLP, Certified Public Accountants, presents the Marion County Sheriff's Settlement - 2001 Taxes.

We engaged Potter & Company, LLP, to perform the financial audit of this statement. We worked closely with the firm during our report review process; Potter & Company, LLP, evaluated the Marion County Sheriff's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Enclosure





**MARION COUNTY, KENTUCKY  
CARROLL KIRKLAND, SHERIFF  
SHERIFF'S SETTLEMENT –  
2001 TAXES**

FINANCIAL STATEMENT AND  
INDEPENDENT AUDITOR'S REPORT

June 6, 2002



## **EXECUTIVE SUMMARY**

### **AUDIT EXAMINATION OF THE MARION COUNTY SHERIFF'S SETTLEMENT - 2001 TAXES**

**June 6, 2002**

Potter & Company, LLP has completed the audit of the Sheriff's Settlement - 2001 Taxes for the Marion County Sheriff as of June 6, 2002. We have issued an unqualified opinion on the financial statement taken as a whole. Based upon the audit work performed, the financial statement is presented fairly in all material respects.

#### **Financial Condition:**

The Sheriff collected net taxes of \$5,027,988 for the districts for 2001 taxes. Sheriff distributed taxes of \$4,819,702 to the districts for 2001 taxes. No taxes are due to the districts from the Sheriff and no refunds are due to the Sheriff from the taxing districts.





**MARION COUNTY, KENTUCKY  
CARROLL KIRKLAND, SHERIFF  
SHERIFF'S SETTLEMENT - 2001 TAXES**

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## INDEPENDENT AUDITOR'S REPORT

To the People of Kentucky

Honorable Paul E. Patton, Governor  
Gordon C. Duke, Secretary  
Finance and Administration Cabinet  
Dana Mayton, Secretary, Revenue Cabinet  
Honorable David R. Hourigan, Marion County Judge/Executive  
Honorable Carroll Kirkland, County Sheriff  
Members of the Marion County Fiscal Court

We have audited the Marion County Sheriff's Settlement - 2001 Taxes as of June 6, 2002. This tax settlement is the responsibility of the Marion County Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in the *Government Auditing Standards* issued by the Comptroller General of the United States, and the *Audit Guide for Sheriff's Tax Settlements* issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Sheriff's office prepares the financial statement on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the Marion County Sheriff's taxes charged, credited, and paid as of June 6, 2002, in conformity with the basis of accounting described in the preceding paragraph.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 20, 2002, on our consideration of the Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

*Potter & Company, LLP*

POTTER & COMPANY, LLP  
June 20, 2002

**MARION COUNTY, KENTUCKY**  
**CARROLL KIRKLAND, SHERIFF**  
**SHERIFF'S SETTLEMENT - 2001 TAXES**  
June 6, 2002

<u><b>Charges</b></u>	<u>County taxes</u>	<u>Special taxing districts</u>	<u>School taxes</u>	<u>State taxes</u>
Real estate	\$ 422,103	\$ 512,073	\$ 2,427,111	\$ 797,308
Tangible personal property	39,725		171,320	251,577
Intangible personal property				122,515
Fire protection	1,158			
Corporation franchise	64,016	56,213	248,984	
Bank franchise	52,673			
Limestone, sand, and mineral reserves	82	91	470	154
Additional billings	1,249	1,397	7,152	2,404
Penalties	<u>2,926</u>	<u>3,249</u>	<u>16,554</u>	<u>5,906</u>
Gross chargeable to Sheriff	<u>583,932</u>	<u>573,023</u>	<u>2,871,591</u>	<u>1,179,864</u>
<u><b>Credits</b></u>				
Exonerations	2,986	3,333	17,057	13,162
Discounts	7,330	7,198	36,477	17,659
Delinquents:				
Real estate	7,048	7,876	40,459	13,291
Tangible personal property	239	238	1,031	934
Intangible personal property				3,991
Uncollected franchise	<u>18</u>	<u>16</u>	<u>79</u>	
Total credits	<u>17,621</u>	<u>18,661</u>	<u>95,103</u>	<u>49,037</u>
Net tax yield	566,311	554,362	2,776,488	1,130,827
Commissions <A>	<u>(24,356)</u>	<u>(23,560)</u>	<u>(104,119)</u>	<u>(48,348)</u>
Net taxes due	541,955	530,802	2,672,369	1,082,479
Taxes paid	(541,260)	(530,048)	(2,668,426)	(1,079,968)
Refunds (current and prior year)	<u>(695)</u>	<u>(754)</u>	<u>(3,943)</u>	<u>(2,511)</u>
Due districts (refund due Sheriff) as of completion of fieldwork	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>

<A> see page 3

The accompanying notes are an integral part of the financial statement.

**MARION COUNTY, KENTUCKY**  
**CARROLL KIRKLAND, SHERIFF**  
**SHERIFF'S SETTLEMENT - 2001 TAXES**

June 6, 2002

(Continued)

<A> Commissions:

10% on	\$	10,000
4.25% on	\$	2,241,500
3.75% on	\$	2,776,488

The accompanying notes are an integral part of the financial statement.

**MARION COUNTY, KENTUCKY**  
**CARROLL KIRKLAND, SHERIFF**  
**SHERIFF'S SETTLEMENT - 2001 TAXES**  
**NOTES TO FINANCIAL STATEMENT**  
June 6, 2002

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Fund Accounting:**

The Sheriff's office tax collection duties are limited to acting as an agent for assessed property owners and taxing districts. A fund is used to account for the collection and distribution of taxes. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

**Basis of Accounting:**

The financial statement has been prepared on a modified cash basis of accounting. Basis of accounting refers to when charges, credits, and taxes paid are reported in the settlement statement. It relates to the timing of measurements regardless of the measurement focus.

Charges are sources of revenue, which are recognized in the tax period in which they become available and measurable. Credits are reductions of revenue, which are recognized when there is proper authorization. Taxes paid are uses of revenue, which are recognized when distributions are made to the taxing districts and others.

**Cash and Investments:**

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

NOTE 2 - DEPOSITS

The Sheriff maintains deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

**MARION COUNTY, KENTUCKY**  
**CARROLL KIRKLAND, SHERIFF**  
**SHERIFF'S SETTLEMENT - 2001 TAXES**  
**NOTES TO FINANCIAL STATEMENT**  
June 6, 2002

NOTE 2 - DEPOSITS (CONTINUED)

These requirements have been met, and as of June 6, 2002, the Sheriff's deposits are fully insured or collateralized at a 100% level with collateral of either pledged securities held by the Sheriff's agent in the Sheriff's name, or provided surety bond which named the Sheriff as beneficiary/obligee on the bond.

NOTE 3 - TAX COLLECTION PERIOD

Property Taxes:

The real and personal property tax assessments are levied as of January 1, 2001. Property taxes are billed to finance governmental services for the year ended June 30, 2002. Liens are effective when the tax bills become delinquent. The collection period for these assessments was October 1, 2001 through April 19, 2002.

NOTE 4 - INTEREST INCOME

The Marion County Sheriff earned approximately \$8,700 as interest income on 2001 taxes. The Sheriff distributed the appropriate amount to the school district as required by statute, and the remainder will be used to operate the Sheriff's office.

NOTE 5 - SHERIFF'S 10% ADD-ON FEE

The Marion County Sheriff collected approximately \$23,700 of 10% add-on fees allowed by KRS 134.430(3). This amount will be used to operate the Sheriff's office.

NOTE 6 - ADVERTISING COSTS AND FEES

The Marion County Sheriff collected approximately \$700 of advertising costs and \$2,000 of advertising fees allowed by KRS 424.330(1) and KRS 134.440(2). The Sheriff distributed the advertising costs to the county as required by statute, and the advertising fees will be used to operate the Sheriff's office.

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*



**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the People of Kentucky  
Honorable Paul E. Patton, Governor  
Gordon C. Duke, Secretary  
Finance and Administration Cabinet  
Dana Mayton, Secretary, Revenue Cabinet  
Honorable David R. Hourigan, Marion County Judge/Executive  
Honorable Carroll Kirkland, County Sheriff  
Members of the Marion County Fiscal Court

We have audited the Marion County Sheriff's Settlement - 2001 Taxes as of June 6, 2002, and have issued our report thereon dated June 20, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

## Compliance

As part of obtaining reasonable assurance about whether the Marion County Sheriff's Settlement - 2001 Taxes as of June 6, 2002 is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

## Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Marion County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management and the Auditor of Public Accounts and is not intended to be and should not be used by anyone other than the specified party.

Potter & Company, LLP

POTTER & COMPANY, LLP  
June 20, 2002